



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE

March 28, 2006

Contact: Andy Nielsen
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Auditor of State David A. Vaudt today released an audit report on Jones County, Iowa.

The County had local tax revenue of \$19,878,406 for the year ended June 30, 2005, which included \$1,219,142 in tax credits from the state. The County forwarded \$15,116,358 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$4,762,048 of the local tax revenue to finance County operations, a 2.8% increase over the prior year. Other revenues included charges for service of \$1,750,323, operating grants, contributions and restricted interest of \$4,986,759, capital grants, contributions and restricted interest of \$1,415,633, local option sales tax of \$680,333, unrestricted investment earnings of \$145,080 and other general revenues of \$153,226.

Expenses for County operations totaled \$11,166,601, a 2.9% decrease from the prior year. Expenses included \$4,404,849 for roads and transportation, \$2,125,376 for mental health and \$1,692,413 for public safety and legal services.

A copy of the report is available for review in the County Auditor's Office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/reports.htm>.

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JONES COUNTY

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

JUNE 30, 2005

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Jones County

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2005)		
Leo M. Cook	Board of Supervisors	Jan 2005
Keith C. Dirks	Board of Supervisors	Jan 2005
Merlin D. Moore	Board of Supervisors	Jan 2005
Joe Cruise	Board of Supervisors	Jan 2007
Andy McKean	Board of Supervisors	Jan 2007
Janine Sulzner	County Auditor	Jan 2005
Janise M. Miller	County Treasurer	Jan 2007
Marie Krutzfield	County Recorder	Jan 2007
Mark J. Denniston	County Sheriff	Jan 2005
Connie Sue Ricklefs	County Attorney	Jan 2007
Arnie Andreesen	County Assessor	Jan 2010
(After January 2005)		
Joe Cruise	Board of Supervisors	Jan 2007
Andy McKean	Board of Supervisors	Jan 2007
Leo M. Cook	Board of Supervisors	Jan 2009
Keith C. Dirks	Board of Supervisors	Jan 2009
Merlin D. Moore	Board of Supervisors	Jan 2009
Janine Sulzner	County Auditor	Jan 2009
Janise M. Miller	County Treasurer	Jan 2007
Marie Krutzfield	County Recorder	Jan 2007
Mark J. Denniston	County Sheriff	Jan 2009
Connie Sue Ricklefs	County Attorney	Jan 2007
Arnie Andreesen	County Assessor	Jan 2010

Jones County



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Independent Auditor's Report

To the Officials of Jones County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Jones County, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of Jones County's management. Our responsibility is to express opinions on these financial statements based on our audit.

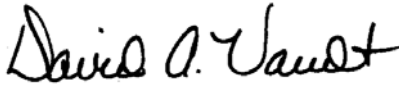
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Jones County at June 30, 2005, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

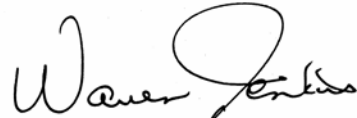
In accordance with Government Auditing Standards, we have also issued our report dated January 9, 2006 on our consideration of Jones County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 15 and 44 through 47 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Jones County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the four years ended June 30, 2004 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

January 9, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

Jones County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2005, along with comparative data for the year ended June 30, 2004. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2005 FINANCIAL HIGHLIGHTS

- The County's governmental activities revenues increased approximately \$1,956,000, or 16%, from fiscal year 2004 to 2005. Property and other county tax increased approximately \$131,500, or 3%, from fiscal year 2004 to 2005. The County received an additional \$332,000 from the Iowa Department of Human Services to provide mental health services to its residents. Also, the County received approximately \$393,000 in federal funds and over \$1,000,000 in farm to market funds from the Iowa Department of Transportation for bridge and road projects.
- The County's governmental activities expenses decreased approximately \$328,000, or 2.9%, from fiscal year 2004 to 2005. Roads and transportation expenses decreased by \$290,459 and physical health and social services expenses decreased by \$173,203. Various other program expense areas experienced modest increases.
- The County's net assets increased 24%, or \$2,726,801, from June 30, 2004 to June 30, 2005, primarily due to road and bridge construction projects.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the County's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Jones County as a whole and present an overall view of the County's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Jones County's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Jones County acts solely as an agent or custodian for the benefit of those outside of County government (Agency Funds).

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor Special Revenue and the individual Agency Funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the County.

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information which helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

The Statement of Net Assets presents all of the County's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases or decreases in the County's net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The Statement of Activities presents information showing how the County's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

The County's governmental activities are presented in the Statement of Net Assets and the Statement of Activities. Governmental activities include public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, interest on long-term debt and non-program activities. Property tax and state and federal grants finance most of these activities.

Fund Financial Statements

The County has three kinds of funds:

1) Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds, and the balances left at year-end that are available for spending. The governmental funds include: 1) the General Fund and 2) the Special Revenue Funds, such as Mental Health, Rural Services and Secondary Roads. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

2) Proprietary funds account for the County's Internal Service, Employee Group Health. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the County's various functions.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

3) Fiduciary funds are used to report assets held in a trust or agency capacity for others which cannot be used to support the County's own programs. These fiduciary funds include Agency Funds that account for Empowerment, Emergency Management, E911 and the County Assessor, to name a few.

The required financial statement for fiduciary funds is a statement of fiduciary assets and liabilities.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

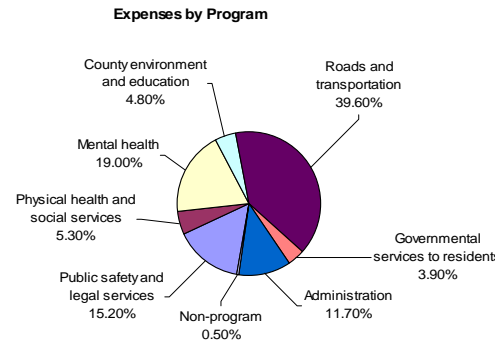
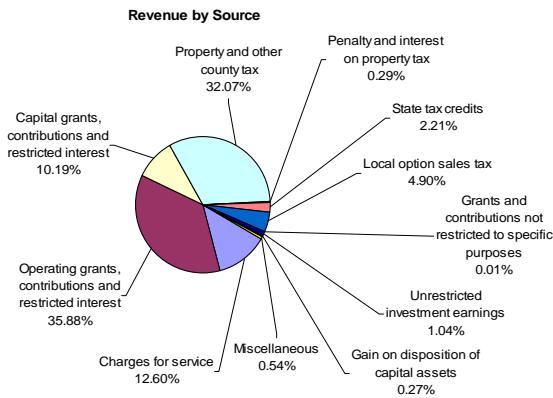
As noted earlier, net assets may serve over time as a useful indicator of financial position. Jones County's combined net assets increased 24% from a year ago, increasing from \$11.4 million to \$14.1 million. The analysis that follows focuses on the changes in the net assets of governmental activities.

Net Assets of Governmental Activities		
	June 30,	
	2005	2004
Current and other assets	\$ 12,437,800	12,720,168
Capital assets	7,553,186	4,450,503
Total assets	<u>19,990,986</u>	<u>17,170,671</u>
Long-term liabilities	208,975	180,258
Other liabilities	5,684,234	5,619,437
Total liabilities	<u>5,893,209</u>	<u>5,799,695</u>
Net assets:		
Invested in capital assets	7,538,926	4,450,503
Restricted	4,819,959	5,341,633
Unrestricted	1,738,892	1,578,840
Total net assets	<u>\$ 14,097,777</u>	<u>11,370,976</u>

Net assets of Jones County's governmental activities increased by \$2,726,801 (\$14,097,777 compared to \$11,370,976). The largest portion of the County's net assets are invested in capital assets (e.g., land, infrastructure, buildings and equipment). Next largest is restricted net assets, which represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets—the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements—are reported at \$1,738,892 at June 30, 2005.

Changes in Net Assets of Governmental Activities

	Year ended June 30,	
	2005	2004
Revenues:		
Program revenues:		
Charges for service	\$ 1,750,323	1,684,369
Operating grants, contributions and restricted interest	4,986,759	4,110,459
Capital grants, contributions and restricted interest	1,415,633	633,953
General revenues:		
Property and other county tax	4,455,465	4,323,942
Penalty and interest on property tax	39,641	45,459
State tax credits	306,583	309,066
Local option sales tax	680,333	615,568
Grants and contributions not restricted to specific purposes	972	23,540
Unrestricted investment earnings	145,080	112,909
Gain on sale of capital assets	37,700	38,192
Miscellaneous	74,913	39,675
Total revenues	13,893,402	11,937,132
Program expenses:		
Public safety and legal services	1,692,413	1,625,566
Physical health and social services	596,278	769,481
Mental health	2,125,376	2,175,415
County environment and education	540,773	531,715
Roads and transportation	4,404,849	4,695,308
Governmental services to residents	438,469	392,557
Administration	1,310,502	1,268,437
Non-program	57,738	36,244
Interest on long-term debt	203	-
Total expenses	11,166,601	11,494,723
Increase in net assets	2,726,801	442,409
Net assets beginning of year	11,370,976	10,928,567
Net assets end of year	\$ 14,097,777	11,370,976



Jones County experienced a decrease in taxable valuation for 2005 due to a combination of increased residential and commercial rollbacks and a 13 percent decrease in agricultural land valuation. Jones County increased property tax rates for 2005 by an average of 8 percent, generating only a 3 percent increase in tax dollars (approximately \$125,000) for County operations. The County increased the General Fund property tax levy rate by \$.38613 per \$1,000 of property valuation. The Mental Health Fund property tax levy rate was increased by \$.06376 per \$1,000 of property valuation to maintain a frozen level of property tax support of \$883,021. The Rural Services Fund property tax levy rate was increased by \$.1344 per \$1,000 of property valuation, still representing one of the lowest Rural Services tax levy rates for the County in over fourteen years. The implementation of the 1% local option tax in 1999 has provided a significant amount of property tax relief for the Rural Services Fund. Property tax revenues for next year (2006) are budgeted to increase approximately \$141,600 (3 percent), while property tax rates will increase by an average of only 2%.

INDIVIDUAL MAJOR FUND ANALYSIS

As Jones County completed the year, its governmental funds reported a combined fund balance of \$6.3 million, a decrease of approximately \$390,000 from last year's total of \$6.7 million. The decrease in fund balance is primarily attributable to General Fund and Secondary Roads Fund expenditures exceeding revenues in their respective funds. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- The General Fund, the operating fund for Jones County, ended fiscal year 2005 with a fund balance of \$1,341,586. This was a decrease from fiscal year 2004 of \$83,250. Expenditures increased because some new projects were started in fiscal year 2005. The courthouse tuck pointing project began in the spring of fiscal year 2005, with the expenditures deducted from the designated/unreserved fund balance that has been set aside for courthouse capital projects. \$50,000 was transferred from the General Fund for cash flow purposes to the Center Junction Wastewater Project and Care Facility Wastewater Project Funds. It is the intent of the Board of Supervisors to transfer these monies back to the General Fund when the projects are completed and all grant reimbursements have been received.
- The Mental Health Fund ended fiscal year 2005 with a balance of \$330,580. The balance increased by \$211,569 from fiscal year 2004. The increase is primarily due to Jones County's eligibility for additional state funding in fiscal year 2005 by having a fiscal year 2004 fund balance which was less than 10% of expenditures. Jones County received an additional \$332,000 for meeting the fund balance criteria set by the Iowa Department of Human Services. This influx of funding, however, caused the fiscal year 2005 balance to be above the 10% criteria. Therefore, the additional funding will not be received in fiscal year 2006. Mental health funds cannot be used for capital type projects. Therefore, short of unnecessarily increasing services for one year as a temporary spend down measure, Jones County will apply these additional funds toward standard mental health services expenditures in fiscal years 2006 and 2007, with the possibility of again having a fund balance low enough to qualify for the funds by June 30, 2006 or June 30, 2007. There were no Jones County mental health clients placed on a waiting list for services in fiscal year 2005. Jones County continues to manage services for its mental health clients while seeking services and programs where funding can be provided from other sources and levels of government.
- The Rural Services Fund ended fiscal year 2005 with a balance of \$306,647, \$45,614 higher than the fiscal year 2004 balance of \$261,033. The levy rate for the Rural Services Fund has been declining over the last several years. However, due to a 7 percent decrease in the rural valuation, attributable primarily to a decrease in agricultural land values, an increase in the rural services tax rate was implemented in fiscal year 2005. The 7 percent

rate increase helped the County maintain the same level of tax dollars levied in fiscal year 2004 for rural services. The levy rate is still one of the lowest in Jones County in over fourteen years, a direct result of the voter approved initiative to place 25% of the local option tax receipts into this fund for property tax relief.

- The Secondary Roads Fund ended fiscal year 2005 with a balance of \$4,214,883, a decrease of \$615,629 from the fiscal year 2004 balance of \$4,830,512. Of the ending balance, \$1.4 million is unspent local option tax funds designated for future road and bridge projects, per voter approval in 1999. Jones County continues an aggressive construction program for fiscal years 2006 and 2007, using local monies, which will have a significant impact on future fund balances. Projected revenues for the Secondary Roads Fund show little, if any, increase, and will not support both the road operations budget and the currently adopted five year road construction plan.
- While Jones County does have a small capital lease purchase agreement for Conservation Department equipment, Jones County does not have a Debt Service Fund. The Board of Supervisors pride themselves on a long standing custom of not obligating the Jones County taxpayers to service debt for County operations or projects.

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Supervisors annually adopts a budget following required public notice and hearing for all funds except the Internal Service and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The County budget is prepared on a cash basis. Over the course of the 2005 fiscal year, Jones County amended its budget only once.

The amendment was made in April 2005 and resulted in an increase in budgeted disbursements related to expenditures associated with the remodeling of the residence at Central Park, initial expenses for the historic restoration of the Hale Bridge, initial expenses for wastewater projects for the Care Facility and for the City of Center Junction, additional staffing for the Treasurer's Office and the Land Use & Environmental Health Office, additional costs incurred for the November 2004 general election to implement new federal and state legislative changes and equipment and development costs for participation in the state-wide County Recorder's land records system. The amendment also reflected major decreases for lower than anticipated expenditures for Secondary Roads, Senior Dining, Juvenile Services and Substance Abuse Services. Approximately \$90,000 of expenditures planned as the County's contribution to the Monticello Library were removed from the fiscal year 2005 budget as the construction of the center had been delayed and the County's contribution was moved to the fiscal year 2006 budget. Revenues (net of interfund transfers) were increased by \$960,309, primarily for receipt of intergovernmental revenues, such as federal bridge funds and additional state mental health allocations. Nearly all departments reflected some level of change in spending authority and/or revenue adjustments with this single budget amendment.

Jones County budgets on a cash basis and did not exceed any budgeted amounts for individual departments or functions during the year ended June 30, 2005. Several appropriation adjustments within service areas were adopted during the year to manage budgetary authority for various departments, until the budget could be amended.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2005, Jones County had approximately \$7,553,000 invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This is a net increase (including additions and deletions) of approximately \$3,103,000, or 70 percent, over last year, primarily from road and bridge projects.

Capital Assets of Governmental Activities at Year End		
	June 30,	
	2005	2004
Land	\$ 671,565	671,565
Construction in progress	1,717,171	139,528
Buildings	799,113	802,808
Equipment and vehicles	2,227,595	2,137,531
Infrastructure	2,137,742	699,071
Total	\$ 7,553,186	4,450,503
This year's major additions included:		
Capital assets contributed by the Iowa Department of Transportation		\$ 1,002,324
Replacement of a motorgrader, dump truck and other secondary roads equipment and vehicles		390,489
Roadway paving project L-C-845-73-53		670,888
Bridge replacement project BROS-C053(43)-8J-53		482,060
Bridge project LFM-36-7X-53		333,095
Subdrain project LFM-LOT877-7X-53		334,579
County Sheriff's vehicles		23,486
County Conservation Director's residence remodel and tractor		33,887
Total		\$ 3,270,808

The County had depreciation expense of \$392,226 in FY05 and total accumulated depreciation of \$4,956,148 at June 30, 2005.

The County budgets roadway construction costs as capital projects expenditures. Jones County historically does not budget, as capital projects expenses, many items that can be categorized as capital asset expenditures, but rather budgets for those items in the function and fund where those items will be used.

Of the capital asset items shown in the table above, the Conservation residence remodel began in fiscal year 2004 and was completed early in fiscal year 2005. Several road construction projects were completed, with the Iowa Department of Transportation contributing over \$1,000,000 in farm to market funds towards construction costs.

More detailed information about the County's capital assets is presented in Note 5 to the financial statements.

Long-Term Debt

Jones County entered into a small capital lease purchase agreement for \$14,260 for Conservation Department equipment at the request of the Conservation Board to help the Department alleviate budget fluctuations for major equipment purchases. This arrangement will also enable the Conservation Department maintain up to date equipment. Additional information about the County's long-term debt is presented in Note 8 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Jones County's elected and appointed officials considered many factors when setting the fiscal year 2006 budget, tax rates and the fees charged for various County activities. The primary factors considered were the small increase in taxable valuations, health insurance costs for County employees and the economy.

Jones County agricultural land values comprised 35% of Jones County's taxable valuation for fiscal years 2005 and 2006. Jones County's total General Fund valuation increased only 1%, due to the change in the residential rollback, nearly depleting the effect of any new residential value growth. While Jones County experienced an increase of approximately 108 new residential homes constructed during 2003 which became taxable for the fiscal year 2006 budget year, much of the growth in the urban areas of Jones County is occurring in tax increment financing districts where the taxes on the increased value are redirected to the respective cities for urban renewal projects.

Jones County, like many employers, is faced with rising health costs for its employees. In order to more closely manage the insurance costs for Jones County employees, the Supervisors left the multi-county Iowa State Association of Counties (ISAC) pooled health insurance program and began a self funded plan on May 1, 2001. While this has proven to be more cost effective than if Jones County had stayed in the ISAC group, Jones County's health insurance costs continue to rise at more than the normal rate of inflation. In fiscal year 2006, the Supervisors implemented a 4% increase in premiums for the approximately 100 covered employees and their dependents. The County pays, on average, 89% of the premium, with the employee paying the balance through payroll deduction.

When preparing the fiscal year 2006 budget, County officials and department heads were asked to take into consideration that the consumer price index average annual growth rate for the most recent fiscal year available at that time (through June 30, 2004) was 2.2%. The collective bargaining agreement, covering wages to be paid in fiscal year 2006, had been settled in early 2004 as part of a two-year agreement. The contract called for a 2.5% wage increase for employees in the bargaining unit. These factors were taken into account when adopting the budget for fiscal year 2006.

\$14.5 million was initially appropriated in fiscal year 2006, an increase of 2.6 percent from the original fiscal year 2005 budget (a 4 percent increase in non-capital projects expenditures). Fiscal year 2005 re-estimated expenditures, which reflected a 2.1% decrease from the original fiscal year 2005 budget, were considered as well during the budget process. The fiscal year 2006 undesignated General Fund balance was initially projected to be 17.5 percent of expenditures (net of expenditures from the unreserved designated balance and one time expenditures for voting equipment). A property tax increase of \$141,642, federal/state voting equipment grants of \$140,000 and increased contract law and jail inmate fees of \$100,000 are the major sources of increased revenues in the fiscal year 2006 General Fund budget. Approximately \$150,000 was budgeted to complete the courthouse tuck pointing project and will be expended from the unreserved designated General Fund balance. Use of the additional state funding received in fiscal year 2005 is anticipated to cover the Mental Health Fund expenditure increase. Use of the local option tax monies designated for road and bridge projects and use of existing cash balances are expected to fund the large increase in budgeted roadway construction expenses. The

Secondary Roads Fund received no revenue from the General Fund in fiscal year 2005 and none is planned for fiscal year 2006. A \$676,000 decrease in Secondary Roads Fund revenues was projected by the Board and County Engineer for fiscal year 2006.

The County's commitment to provide a \$40,000 grant from the General Fund to the City of Monticello to assist with local match efforts for an approved state grant and \$50,000 from the Rural Services Fund for a capital improvement grant, both for the new Monticello public library, were moved from fiscal year 2005 to fiscal year 2006 due to the project's construction schedule. These funds will likely be paid to the City in the spring of 2006.

New programs initially started in fiscal year 2005 will see significant progress in fiscal year 2006, including the Hale Bridge historical restoration project and the Center Junction wastewater project. It is expected the second phase of the Grant Wood Recreational Trail will begin in fiscal year 2006. Budget amendments will be necessary in fiscal year 2006 as these projects move forward. All three projects are expected to be self-supporting with grant reimbursements and private contributions. The Center Junction wastewater project began with the County slated to be the owner of the system for the City of Center Junction in order to secure the grants and loans necessary to fund the project. In January 2005, the Board of Supervisors entered into a 28E agreement with the Eastern Iowa Regional Utility Service System (EIRUSS), a 28E organization of surrounding counties, to be the management entity for rural, and possibly small town, water and wastewater utility systems. One Jones County Supervisor serves on the EIRUSS Board, with another appointed as an alternate. The Center Junction project was officially transferred to the EIRUSS during the summer of 2005, with Jones County maintaining the Community Development Block Grant obligations and the USDA loan obligations transferred to the EIRUSS.

If the budgetary estimates in the fiscal year 2006 budget are realized, the County's overall budgetary operating balance is expected to decrease by the close of 2006. The General Fund balance is projected to decrease by 10 percent. A substantial decrease is also expected in the Secondary Roads Fund balance as a result of an aggressive construction program budget. Design and construction schedules, as well as a re-evaluation of funding sources, will be considered prior to proceeding with certain road and bridge projects.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of Jones County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Jones County Auditor's Office, 500 W. Main Street, Anamosa, Iowa 52205.

Jones County

Basic Financial Statements

Exhibit A

Jones County
Statement of Net Assets
June 30, 2005

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 6,791,729
Receivables:	
Property tax:	
Delinquent	8,506
Succeeding year	4,622,000
Interest and penalty on property tax	17,039
Accounts	38,975
Accrued interest	10,783
E911 loan	17,571
Due from other governments	556,686
Inventories	294,338
Prepaid expenses	80,173
Capital assets (net of accumulated depreciation)	<u>7,553,186</u>
Total assets	<u>19,990,986</u>
Liabilities	
Accounts payable	567,651
Accrued interest payable	203
Salaries and benefits payable	219,307
Due to other governments	275,073
Deferred revenue:	
Succeeding year property tax	4,622,000
Long-term liabilities:	
Portion due or payable within one year:	
Capital lease purchase agreement	3,223
Compensated absences	90,383
Portion due or payable after one year:	
Capital lease purchase agreement	11,037
Compensated absences	<u>104,332</u>
Total liabilities	<u>5,893,209</u>
Net Assets	
Invested in capital assets, net of related debt	7,538,926
Restricted for:	
Supplemental levy purposes	215,539
Mental health purposes	318,513
Secondary roads purposes	4,135,575
Other special revenue purposes	150,332
Unrestricted	<u>1,738,892</u>
Total net assets	<u>\$ 14,097,777</u>

See notes to financial statements.

Jones County
Statement of Activities
Year ended June 30, 2005

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest		
Expenses					
Functions/Programs:					
Governmental activities:					
Public safety and legal services	\$ 1,692,413	348,569	14,582	-	(1,329,262)
Physical health and social services	596,278	249,675	148,065	-	(198,538)
Mental health	2,125,376	14,775	1,425,870	-	(684,731)
County environment and education	540,773	88,044	38,398	20,936	(393,395)
Roads and transportation	4,404,849	310,391	3,343,177	1,394,697	643,416
Governmental services to residents	438,469	303,804	7,256	-	(127,409)
Administration	1,310,502	20,237	9,411	-	(1,280,854)
Non-program	57,738	414,828	-	-	357,090
Interest on long-term debt	203	-	-	-	(203)
Total	\$ 11,166,601	1,750,323	4,986,759	1,415,633	(3,013,886)
General Revenues:					
Property and other county tax levied for general purposes					4,455,465
Penalty and interest on property tax					39,641
State tax credits					306,583
Local option sales tax					680,333
Grants and contributions not restricted to specific purpose					972
Unrestricted investment earnings					145,080
Gain on sale of capital assets					37,700
Miscellaneous					74,913
Total general revenues					5,740,687
Change in net assets					2,726,801
Net assets beginning of year					11,370,976
Net assets end of year					\$ 14,097,777

See notes to financial statements.

Jones County
Balance Sheet
Governmental Funds

June 30, 2005

Assets	Special Revenue		
	General	Mental Health	Rural Services
Cash and pooled investments	\$ 1,518,419	628,314	280,251
Receivables:			
Property tax:			
Delinquent	5,366	1,552	1,588
Succeeding year	2,874,000	831,000	917,000
Interest and penalty on property tax	17,039	-	-
Accounts	3,395	-	-
Accrued interest	10,783	-	-
E911 loan	17,571	-	-
Due from other funds	21,292	-	-
Due from other governments	62,573	44,049	26,250
Inventories	-	-	-
Prepaid expenditures	-	-	-
	Total assets	1,504,915	1,225,089
	\$ 4,530,438	1,504,915	1,225,089
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 148,325	77,824	-
Salaries and benefits payable	120,748	10,731	75
Due to other funds	4,522	-	-
Due to other governments	18,152	253,438	-
Deferred revenue:			
Succeeding year property tax	2,874,000	831,000	917,000
Other	23,105	1,342	1,367
Total liabilities	3,188,852	1,174,335	918,442
Fund balances:			
Reserved for supplemental levy purposes	216,845	-	-
Unreserved, reported in:			
General fund	1,124,741	-	-
Special revenue funds	-	330,580	306,647
Total fund balances	1,341,586	330,580	306,647
	Total liabilities and fund balances	1,504,915	1,225,089
	\$ 4,530,438	1,504,915	1,225,089

See notes to financial statements.

Secondary Roads	Nonmajor Special Revenue	Total
3,771,973	152,665	6,351,622
-	-	8,506
-	-	4,622,000
-	-	17,039
17,936	6,805	28,136
-	-	10,783
-	-	17,571
4,522	-	25,814
397,101	26,713	556,686
294,338	-	294,338
61,365	-	61,365
<u>4,547,235</u>	<u>186,183</u>	<u>11,993,860</u>
237,920	6,937	471,006
82,193	5,560	219,307
-	21,292	25,814
3,483	-	275,073
-	-	4,622,000
8,756	-	34,570
<u>332,352</u>	<u>33,789</u>	<u>5,647,770</u>
-	-	216,845
-	-	1,124,741
<u>4,214,883</u>	<u>152,394</u>	<u>5,004,504</u>
<u>4,214,883</u>	<u>152,394</u>	<u>6,346,090</u>
<u>4,547,235</u>	<u>186,183</u>	<u>11,993,860</u>

Jones County

Jones County

Reconciliation of the Balance Sheet -
Governmental Funds to the Statement of Net Assets

June 30, 2005

Total governmental fund balances (page 21) \$ 6,346,090

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of assets is \$12,509,334 and the accumulated depreciation is \$4,956,148. 7,553,186

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the funds. 34,570

The Internal Service Fund is used by management to charge the costs of partial self funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Assets. 373,109

Long-term liabilities, including capital lease purchase agreement payable, compensated absences payable and accrued interest payable, are not due and payable in the current period and, therefore, are not reported in the funds. (209,178)

Net assets of governmental activities (page 18) \$ 14,097,777

See notes to financial statements.

Jones County

Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds

Year ended June 30, 2005

	Special Revenue		
	General	Mental Health	Rural Services
Revenues:			
Property and other county tax	\$ 2,724,563	826,012	1,075,952
Interest and penalty on property tax	41,809	-	-
Intergovernmental	871,659	1,482,886	61,587
Licenses and permits	38,646	-	-
Charges for service	469,523	16,250	-
Use of money and property	208,214	9,255	-
Miscellaneous	37,190	4,621	-
Total revenues	4,391,604	2,339,024	1,137,539
Expenditures:			
Operating:			
Public safety and legal services	1,707,197	-	-
Physical health and social services	396,797	-	-
Mental health	-	2,127,455	-
County environment and education	412,531	-	125,726
Roads and transportation	278,512	-	-
Governmental services to residents	401,543	-	3,699
Administration	1,202,306	-	-
Non-program	38,133	-	-
Capital projects	-	-	-
Total expenditures	4,437,019	2,127,455	129,425
Excess (deficiency) of revenues over (under) expenditures	(45,415)	211,569	1,008,114
Other financing sources (uses):			
Sale of capital assets	3,575	-	-
Operating transfers in	-	-	-
Operating transfers out	(55,670)	-	(962,500)
Capital lease purchase agreement	14,260	-	-
Total other financing sources (uses)	(37,835)	-	(962,500)
Net change in fund balances	(83,250)	211,569	45,614
Fund balances beginning of year	1,424,836	119,011	261,033
Fund balances end of year	\$ 1,341,586	330,580	306,647

See notes to financial statements.

Secondary Roads	Nonmajor Special Revenue	Total
510,250	-	5,136,777
-	-	41,809
3,800,996	167,281	6,384,409
20,871	-	59,517
866	19,079	505,718
-	9,430	226,899
139,959	94,610	276,380
4,472,942	290,400	12,631,509
-	5,958	1,713,155
-	208,633	605,430
-	-	2,127,455
-	16,271	554,528
4,076,858	-	4,355,370
-	42,787	448,029
-	-	1,202,306
-	-	38,133
1,974,213	20,578	1,994,791
6,051,071	294,227	13,039,197
(1,578,129)	(3,827)	(407,688)
-	-	3,575
962,500	55,670	1,018,170
-	-	(1,018,170)
-	-	14,260
962,500	55,670	17,835
(615,629)	51,843	(389,853)
4,830,512	100,551	6,735,943
4,214,883	152,394	6,346,090

Jones County

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances -
Governmental Funds to the Statement
of Activities

Year ended June 30, 2005

Net change in fund balances - Total governmental funds (page 25) \$ (389,853)

**Amounts reported for governmental activities in the Statement of Activities
are different because:**

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Capital outlay expenditures and contributed capital assets exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ 2,458,460	
Capital assets contributed by the Iowa Department of Transportation	1,002,324	
Depreciation expense	<u>(392,226)</u>	3,068,558

In the Statement of Activities, the gain on the sale of capital assets is reported whereas the governmental funds report the proceeds from the sale as an increase in financial resources. 34,125

Because some revenues will not be collected for several months after the County's year end, they are not considered available revenues and are deferred in the governmental funds, as follows:

Property tax	(2,000)	
Other	<u>(151,221)</u>	(153,221)

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. (14,260)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds, as follows:

Compensated absences	(14,457)	
Interest on long-term debt	<u>(203)</u>	(14,660)

The Internal Service Fund is used by management to charge the costs of partial self funding of the County's employee health insurance benefit plan to individual funds. The change in net assets of the Internal Service Fund is reported with governmental activities. 196,112

Change in net assets of governmental activities (page 19) \$ 2,726,801

See notes to financial statements.

Jones County
Statement of Net Assets
Proprietary Fund
June 30, 2005

	Internal Service - Employee Group Health
Assets	
Cash and cash equivalents	\$ 440,107
Accounts receivable	10,839
Prepaid expenses	18,808
Total assets	469,754
Liabilities	
Accounts payable	96,645
Net Assets	
Unrestricted	\$ 373,109

See notes to financial statements.

Exhibit H

Jones County

Statement of Revenues, Expenses and
Changes in Fund Net Assets
Proprietary Fund

Year ended June 30, 2005

		<u>Internal Service - Employee Group Health</u>
Operating revenues:		
Reimbursements from operating funds		\$ 934,822
Contributions from outside sources		9,548
Contributions from employees		103,079
Insurance reimbursements		210,163
Total operating revenues		<u>1,257,612</u>
Operating expenses:		
Medical claims	\$ 845,729	
Insurance premiums	186,263	
Administrative fees	32,493	
Miscellaneous	1,474	1,065,959
Operating income		<u>191,653</u>
Non-operating revenues:		
Interest income		4,459
Net income		<u>196,112</u>
Net assets beginning of year		<u>176,997</u>
Net assets end of year		<u><u>\$ 373,109</u></u>

See notes to financial statements.

Jones County
Statement of Cash Flows
Proprietary Fund
Year ended June 30, 2005

	Internal Service - Employee Group Health
Cash flows from operating activities:	
Cash received from operating fund reimbursements	\$ 934,822
Cash received from employees and others	318,086
Cash paid to suppliers for services	(1,085,124)
Net cash provided by operating activities	167,784
Cash flows from investing activities:	
Interest on investments	4,459
Net increase in cash and cash equivalents	172,243
Cash and cash equivalents beginning of year	267,864
Cash and cash equivalents end of year	\$ 440,107
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 191,653
Adjustments to reconcile operating loss to net cash used by operating activities:	
Increase in accounts receivable	(4,704)
Decrease in accounts payable	(18,086)
Increase in prepaid expense	(1,079)
Net cash provided by operating activities	\$ 167,784

See notes to financial statements.

Jones County
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2005

Assets

Cash and pooled investments:

County Treasurer	\$ 975,493
Other County officials	635

Receivables:

Property tax:

Delinquent	23,310
Succeeding year	14,173,000

Accounts	27,225
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Special assessments	37,389
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Due from other governments	4,866
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Total assets	<u>15,241,918</u>
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Liabilities

Accounts payable	21,864
------------------	--------

Salaries and benefits payable	9,607
-------------------------------	-------

Due to other governments	15,190,683
--------------------------	------------

Trusts payable	635
----------------	-----

Compensated absences	19,129
----------------------	--------

Total liabilities	<u>15,241,918</u>
--------------------------	-------------------

Net assets	<u>\$ -</u>
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See notes to financial statements.

Jones County

Notes to Financial Statements

June 30, 2005

(1) Summary of Significant Accounting Policies

Jones County is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff and Attorney. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance and general administrative services.

The County's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Jones County has included all funds, organizations, agencies, boards, commissions and authorities. The County has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the County. Jones County has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The County participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Jones County Assessor's Conference Board, Jones County Emergency Management Commission and Jones County Joint E911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

The County also participates in the following additional jointly governed organizations established pursuant to Chapter 28E of the Code of Iowa: Jones County Solid Waste Management Commission, Multi-County Cooperative Child Support Agreement, East Central Iowa Employment and Training Consortium, Medical Emergency Response Group, Eastern Iowa Regional Housing Authority, Eastern Iowa Regional Utility Service Systems Commission, Jones County Crime Commission, Jones County Economic Development Commission and Jones County Communications Commission.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the County. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues and other nonexchange transactions.

The Statement of Net Assets presents the County's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories.

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The County reports the following major governmental funds:

The General Fund is the general operating fund of the County. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

The Mental Health Fund is used to account for property tax and other revenues designated to be used to fund mental health, mental retardation and developmental disabilities services.

The Rural Services Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing in the county outside of incorporated city areas.

The Secondary Roads Fund is used to account for secondary road construction and maintenance.

Additionally, the County reports the following funds:

Proprietary Fund – An Internal Service Fund is utilized to account for the financing of goods or services purchased by one department of the County and provided to other departments or agencies on a cost reimbursement basis.

Fiduciary Funds - Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/or other funds.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary fund and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the County.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general revenues.

The proprietary fund of the County applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's Internal Service Fund is charges to customers for sales and services. Operating expenses for Internal Service Funds include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The County maintains its financial records on the cash basis. The financial statements of the County are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund, unless otherwise provided by law. Investments are stated at fair value except for the investment in the Iowa Public Agency Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2003 assessed property valuations; is for the tax accrual period July 1, 2004 through June 30, 2005 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2004.

Interest and Penalty on Property Tax Receivable – Interest and penalty on property tax receivable represents the amount of interest and penalty that was due and payable but has not been collected.

Special Assessments Receivable – Special assessments receivable represent the amounts due from individuals for work done which benefits their property. These assessments are payable by individuals in not less than 10 nor more than 20 annual installments. Each annual installment with interest on the unpaid balance is due on September 30 and is subject to the same interest and penalties as other taxes. Special assessments receivable represent assessments which have been made but have not been collected.

Due from and Due to Other Funds – During the course of its operations, the County has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2005, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method. Inventories in the Special Revenue Funds consist of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Capital Assets – Capital assets, which include property, equipment and vehicles, and infrastructure assets (e.g., roads, bridges, curbs, gutters, sidewalks and similar items which are immovable and of value only to the government), are reported in the governmental activities column in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Infrastructure	\$ 50,000
Land, buildings and improvements	25,000
Equipment and vehicles	5,000

Capital assets of the County are depreciated using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful lives (In Years)
Buildings	25-50
Building improvements	25-50
Infrastructure	10-65
Equipment	3-20
Vehicles	5-15

Due to Other Governments – Due to other governments represents taxes and other revenues collected by the County and payments for services which will be remitted to other governments.

Trusts Payable – Trusts payable represents amounts due to others which are held by various County officials in fiduciary capacities until the underlying legal matters are resolved.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2005. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services and Secondary Roads Funds.

Long-Term Liabilities – In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund Statement of Net Assets.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts not available for appropriation or legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Net Assets – The net assets of the Internal Service, Employee Group Health Fund is designated for future catastrophic losses of the County.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) Cash and Pooled Investments

The County's deposits in banks at June 30, 2005 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The County has no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

(3) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2005 is as follows:

Receivable Fund	Payable Fund	Amount
General	Special Revenue:	
	Senior Dining	\$ 1,292
	Hale Bridge Historical Restoration	20,000
		<u>21,292</u>
Special Revenue:	General	
Secondary Roads		<u>4,522</u>
Total		<u>\$ 25,814</u>

These balances result from the time lag between the dates interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system and payments between funds are made.

(4) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2005 is as follows:

Transfer to	Transfer from	Amount
Special Revenue:		
Conservation Land Acquisition	General	\$ 5,670
Center Junction Wastewater Project		25,000
Care Facility Wastewater Project		25,000
Special Revenue:	Special Revenue:	
Secondary Roads	Rural Services	<u>962,500</u>
Total		<u>\$ 1,018,170</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(5) Capital Assets

Capital assets activity for the year ended June 30, 2005 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 671,565	-	-	671,565
Construction in progress, road network	115,928	2,822,946	(1,454,490)	1,484,384
Construction in progress, other	23,600	209,187	-	232,787
Total capital assets not being depreciated	<u>811,093</u>	<u>3,032,133</u>	<u>(1,454,490)</u>	<u>2,388,736</u>
Capital assets being depreciated:				
Buildings	1,988,032	19,627	-	2,007,659
Equipment and vehicles	5,657,814	443,149	(146,442)	5,954,521
Infrastructure, road network	633,953	1,454,490	-	2,088,443
Infrastructure, other	69,975	-	-	69,975
Total capital assets being depreciated	<u>8,349,774</u>	<u>1,917,266</u>	<u>(146,442)</u>	<u>10,120,598</u>
Less accumulated depreciation for:				
Buildings	1,185,224	23,322	-	1,208,546
Equipment and vehicles	3,520,283	353,085	(146,442)	3,726,926
Infrastructure, road network	2,057	14,419	-	16,476
Infrastructure, other	2,800	1,400	-	4,200
Total accumulated depreciation	<u>4,710,364</u>	<u>392,226</u>	<u>(146,442)</u>	<u>4,956,148</u>
Total capital assets being depreciated, net	<u>3,639,410</u>	<u>1,525,040</u>	<u>-</u>	<u>5,164,450</u>
Governmental activities capital assets, net	<u>\$ 4,450,503</u>	<u>4,557,173</u>	<u>(1,454,490)</u>	<u>7,553,186</u>

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 37,737
Physical health and social services	1,774
Mental health	2,558
County environment and education	22,482
Roads and transportation	307,460
Governmental services to residents	20,215
Total depreciation expense - governmental activities	<u>\$ 392,226</u>

(6) Due to Other Governments

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments is as follows:

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
General	Services	<u>\$ 18,152</u>
Special Revenue:		
Mental Health	Services	253,438
Secondary Roads	Services and materials	<u>3,483</u>
		<u>256,921</u>
Total for governmental funds		<u><u>\$ 275,073</u></u>
Agency:		
Emergency Management	Services	\$ 21,487
E911 Surcharge	Materials	47,208
County Assessor	Collections and materials	574,262
Schools	Collections	9,675,436
Community Colleges	Collections	424,837
Corporations	Collections	3,633,945
Auto License and Use Tax	Collections	400,295
All other	Collections	<u>413,213</u>
Total for agency funds		<u><u>\$ 15,190,683</u></u>

(7) Prepaid Rental Agreement

In November, 1999, the County entered into a 28E agreement with the Iowa Department of Transportation for the cooperative construction of transportation maintenance facilities to store and maintain transportation related equipment, materials and supplies. The property is owned by the Iowa Department of Transportation. The agreement was for twenty-five years and will be renewable for an additional twenty-five years. The County is responsible for a portion of the operational costs and future improvements.

The County has elected to amortize prepaid expenditures of \$80,743 over 25 years. At June 30, 2005, the unamortized prepaid expenditure balance was \$61,365.

(8) Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2005 is as follows:

	<u>Capital Lease Purchase Agreement</u>	<u>Compen- sated Absences</u>	<u>Total</u>
Balance beginning of year	\$ -	180,258	180,258
Increases	14,260	221,965	236,225
Decreases	-	207,508	207,508
Balance end of year	<u>\$ 14,260</u>	<u>194,715</u>	<u>208,975</u>
Due within one year	<u>\$ 3,223</u>	<u>90,383</u>	<u>93,606</u>

Capital Lease Purchase Agreement

The County entered into a capital lease purchase agreement for a mower in May 2005.

The following is a schedule of the future minimum lease payments, including interest at 8.50% per annum, and the present value of net minimum lease payments under the agreement in effect at June 30, 2005:

Year ending June 30,	Amount
2006	\$ 3,426
2007	3,426
2008	3,426
2009	3,426
2010	3,426
Total minimum lease payments	17,130
Less amount representing interest	(2,870)
Present value of net minimum lease payments	\$ 14,260

(9) Pension and Retirement Benefits

The County contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2005, 2004 and 2003 were \$211,774, \$204,045 and \$194,802, respectively, equal to the required contributions for each year.

(10) Risk Management

The County is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(11) Employee Health Insurance Plan

The Internal Service, Employee Group Health Fund was established to account for the partial self funding of the County's health insurance benefit plan. The plan is funded by both employee and County contributions and is administered through a service agreement with Employee Group Services, Ltd. The agreement is subject to automatic renewal provisions. The County assumes liability for claims up to the individual stop loss limitation of \$35,000. Claims in excess of coverage are insured through purchase of stop loss insurance.

Monthly payments of service fees and plan contributions to the Employee Group Health Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to Employee Group Services, Ltd. from the Employee Group Health Fund. The County's contribution for the year ended June 30, 2005 was \$934,822.

Amounts payable from the Employee Group Health Fund at June 30, 2005 total \$96,645, which is for incurred but not reported (IBNR) and reported but not paid claims. The amounts are based on actuarial estimates of the amounts necessary to pay prior year and current year claims and to establish a reserve for catastrophic losses. That reserve was \$373,109 at June 30, 2005 and is reported as a designation of the Internal Service, Employee Group Health Fund net assets. A liability has been established based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Settlements have not exceeded the stop-loss coverage in any of the past three years. A reconciliation of changes in the aggregate liability for claims for the current year is as follows:

Unpaid claims beginning of year	\$ 114,731
Incurred claims (including claims incurred but not reported at June 30, 2005)	845,729
Payment on claims during the fiscal year	<u>(863,815)</u>
Unpaid claims end of year	<u><u>\$ 96,645</u></u>

(12) E911 Loan

On October 8, 2002, the E911 Service Board borrowed \$200,000 from the General Fund for a radio tower. The loan requires eleven quarterly payments to the County of \$17,711. During the year, the original payment schedule was revised to take into account actual payment dates. The final payment is \$17,773, due July 22, 2005, including principal and interest at 4% per annum. The following is a schedule of the loan payments to be received by the County:

Year ending June 30,	Amount
2006	\$ 17,733
Less amount representing interest	<u>(162)</u>
Outstanding principal balance	<u><u>\$ 17,571</u></u>

The assets and liabilities of the E911 Surcharge Agency Fund are reported on the modified accrual basis. Accordingly, the E911 radio tower and the loan agreement payable by the E911 Service Board to the County have not been reported in the E911 Surcharge Agency Fund. The E911 Surcharge Agency Fund is included in the other column on Schedules 3 and 4 of the Other Supplementary Information section.

(13) Contingent Liability

The County received notice it will receive a consent order from the Iowa Department of Natural Resources regarding certain actions necessary to bring the care facility lagoon up to standards. The amount of fines, if any, is indeterminable.

Jones County

Required Supplementary Information

Jones County

Budgetary Comparison Schedule of
Receipts, Disbursements and Changes in Balances -
Budget and Actual (Cash Basis) – All Governmental Funds

Required Supplementary Information

Year ended June 30, 2005

	<u>Actual</u>
Receipts:	
Property and other county tax	\$ 5,122,375
Interest and penalty on property tax	40,896
Intergovernmental	6,272,510
Licenses and permits	60,207
Charges for service	506,876
Use of money and property	303,631
Miscellaneous	268,563
Total receipts	<u>12,575,058</u>
Disbursements:	
Public safety and legal services	1,685,808
Physical health and social services	622,435
Mental health	2,087,131
County environment and education	549,884
Roads and transportation	4,547,870
Governmental services to residents	446,939
Administration	1,106,009
Non-program	37,813
Capital projects	2,041,451
Total disbursements	<u>13,125,340</u>
Excess (deficiency) of receipts over (under) disbursements	(550,282)
Other financing sources, net	<u>17,835</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(532,447)
Balance beginning of year	<u>6,884,069</u>
Balance end of year	<u>\$ 6,351,622</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Actual Variance
5,051,130	5,103,406	18,969
43,150	44,100	(3,204)
5,548,998	6,392,280	(119,770)
42,455	49,392	10,815
466,055	490,511	16,365
245,423	296,956	6,675
272,612	257,912	10,651
11,669,823	12,634,557	(59,499)
1,678,694	1,690,229	4,421
841,517	742,013	119,578
2,250,595	2,216,401	129,270
580,483	551,416	1,532
4,934,431	4,632,127	84,257
403,522	455,401	8,462
956,872	1,143,029	37,020
33,069	42,267	4,454
2,464,000	2,391,000	349,549
14,143,183	13,863,883	738,543
(2,473,360)	(1,229,326)	679,044
17,025	12,600	(5,235)
(2,456,335)	(1,216,726)	684,279
5,808,444	6,862,809	21,260
3,352,109	5,646,083	705,539

Jones County
 Budgetary Comparison Schedule - Budget to GAAP Reconciliation
 Required Supplementary Information
 Year ended June 30, 2005

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 12,575,058	56,451	12,631,509
Expenditures	13,125,340	(86,143)	13,039,197
Net	(550,282)	142,594	(407,688)
Other financing sources, net	17,835	-	17,835
Beginning fund balances	6,884,069	(148,126)	6,735,943
Ending fund balances	\$ 6,351,622	(5,532)	6,346,090

See accompanying independent auditor's report.

Jones County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2005

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds except the Internal Service and Agency Funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund and the Special Revenue Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, one budget amendment decreased budgeted disbursements by \$279,300. The budget amendment is reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the E911 System by the Joint E911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

During the year ended June 30, 2005, disbursements did not exceed the amounts budgeted.

Jones County

Other Supplementary Information

Jones County
Combining Balance Sheet
Nonmajor Special Revenue Funds

June 30, 2005

	County Recorder's Records Management	County Recorder's Electronic Transaction Fee	Conservation Land Acquisition	Senior Dining
Assets				
Cash and pooled investments	\$ 12,839	2,710	9,016	32,164
Accounts receivable	-	-	-	-
Due from other governments	-	-	-	22,463
Total assets	\$ 12,839	2,710	9,016	54,627
Liabilities and Fund Equity				
Liabilities:				
Accounts payable	\$ -	-	-	5,821
Salaries and benefits payable	-	-	-	5,170
Due to other funds	-	-	-	1,292
Total liabilities	-	-	-	12,283
Fund equity:				
Unreserved fund balances	12,839	2,710	9,016	42,344
Total liabilities and fund equity	\$ 12,839	2,710	9,016	54,627

See accompanying independent auditor's report.

Jail Commissary	Special Law Enforcement Proceeds	Law Enforcement Canine	Resource Enhancement and Protection	Hale Bridge Historical Restoration	Center Junction Wastewater Project	Care Facility Wastewater Project	Total
5,709	257	9,340	25,091	20,000	14,410	21,129	152,665
1,401	-	5,404	-	-	-	-	6,805
-	-	-	-	4,250	-	-	26,713
7,110	257	14,744	25,091	24,250	14,410	21,129	186,183
323	-	73	-	-	720	-	6,937
-	-	-	390	-	-	-	5,560
-	-	-	-	20,000	-	-	21,292
323	-	73	390	20,000	720	-	33,789
6,787	257	14,671	24,701	4,250	13,690	21,129	152,394
7,110	257	14,744	25,091	24,250	14,410	21,129	186,183

Jones County

Combining Schedule of Revenues, Expenditures and
Changes in Fund Balances
Nonmajor Special Revenue Funds

Year ended June 30, 2005

	County Recorder's Records Management	County Recorder's Electronic Transaction Fee	Conservation Land Acquisition	Senior Dining
Revenues:				
Intergovernmental	\$ -	-	-	134,765
Charges for service	4,665	14,196	-	-
Use of money and property	111	126	-	-
Miscellaneous	-	-	-	83,654
Total revenues	4,776	14,322	-	218,419
Expenditures:				
Operating:				
Public safety and legal services	-	-	-	-
Physical health and social services	-	-	-	208,633
County environment and education	-	-	-	-
Governmental services to residents	8,438	34,349	-	-
Capital projects	-	-	-	-
Total expenditures	8,438	34,349	-	208,633
Excess (deficiency) of revenues over (under) expenditures	(3,662)	(20,027)	-	9,786
Other financing sources:				
Operating transfers in	-	-	5,670	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures	(3,662)	(20,027)	5,670	9,786
Fund balances beginning of year	16,501	22,737	3,346	32,558
Fund balances end of year	\$ 12,839	2,710	9,016	42,344

See accompanying independent auditor's report.

Jail Commissary	Special Law Enforcement Proceeds	Law Enforcement Canine	Resource Enhancement and Protection	Hale Bridge Historical Restoration	Center Junction Wastewater Project	Care Facility Wastewater Project	Total
-	-	-	11,580	15,539	5,397	-	167,281
-	-	-	218	-	-	-	19,079
9,191	2	-	-	-	-	-	9,430
-	-	10,956	-	-	-	-	94,610
9,191	2	10,956	11,798	15,539	5,397	-	290,400
5,150	-	808	-	-	-	-	5,958
-	-	-	-	-	-	-	208,633
-	-	-	4,982	11,289	-	-	16,271
-	-	-	-	-	-	-	42,787
-	-	-	-	-	16,707	3,871	20,578
5,150	-	808	4,982	11,289	16,707	3,871	294,227
4,041	2	10,148	6,816	4,250	(11,310)	(3,871)	(3,827)
-	-	-	-	-	25,000	25,000	55,670
4,041	2	10,148	6,816	4,250	13,690	21,129	51,843
2,746	255	4,523	17,885	-	-	-	100,551
6,787	257	14,671	24,701	4,250	13,690	21,129	152,394

Jones County
 Combining Schedule of Fiduciary Assets and Liabilities
 Agency Funds

June 30, 2005

	County Offices	Agricultural Extension Education	County Assessor	Schools
Assets				
Cash and pooled investments:				
County Treasurer	\$ -	1,972	289,219	176,787
Other County officials	635	-	-	-
Receivables:				
Property tax:				
Delinquent	-	237	622	17,649
Succeeding year	-	127,000	333,000	9,481,000
Accounts	-	-	-	-
Special assessments	-	-	-	-
Due from other governments	-	-	-	-
Total assets	\$ 635	129,209	622,841	9,675,436
Liabilities				
Accounts payable	\$ -	-	20,795	-
Salaries and benefits payable	-	-	9,065	-
Due to other governments	-	129,209	574,262	9,675,436
Trusts payable	635	-	-	-
Compensated absences	-	-	18,719	-
Total liabilities	\$ 635	129,209	622,841	9,675,436

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	City Special Assessments	Auto License and Use Tax	Other	Total
8,059	40,323	3,976	7,609	400,295	47,253	975,493
-	-	-	-	-	-	635
778	3,622	382	-	-	20	23,310
416,000	3,590,000	207,000	-	-	19,000	14,173,000
-	-	-	-	-	27,225	27,225
-	-	-	37,389	-	-	37,389
-	-	-	-	-	4,866	4,866
424,837	3,633,945	211,358	44,998	400,295	98,364	15,241,918
-	-	-	-	-	1,069	21,864
-	-	-	-	-	542	9,607
424,837	3,633,945	211,358	44,998	400,295	96,343	15,190,683
-	-	-	-	-	-	635
-	-	-	-	-	410	19,129
424,837	3,633,945	211,358	44,998	400,295	98,364	15,241,918

Jones County

Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2005

	County Offices	Agricultural Extension Education	County Assessor	Schools
Assets and Liabilities				
Balances beginning of year	\$ 310	104,910	546,111	9,595,783
Additions:				
Property and other county tax	-	126,939	332,383	9,466,364
E911 surcharge	-	-	-	-
State tax credits	-	7,158	17,197	647,994
Office fees and collections	339,270	-	-	-
Auto licenses, use tax and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	352,420	-	-	-
Miscellaneous	-	-	1,578	-
Total additions	691,690	134,097	351,158	10,114,358
Deductions:				
Agency remittances:				
To other funds	190,738	-	-	-
To other governments	146,526	109,798	274,428	10,034,705
Trusts paid out	354,101	-	-	-
Total deductions	691,365	109,798	274,428	10,034,705
Balances end of year	\$ 635	129,209	622,841	9,675,436

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	City Special Assessments	Auto License and Use Tax	Other	Total
429,291	3,449,296	203,572	50,062	336,041	123,050	14,838,426
415,083	3,639,146	205,444	-	-	18,440	14,203,799
-	-	-	-	-	116,534	116,534
29,231	196,302	13,430	-	-	1,247	912,559
-	-	-	-	-	-	339,270
-	-	-	-	4,218,814	118	4,218,932
-	-	-	12,763	-	-	12,763
-	-	-	-	-	-	352,420
-	-	-	-	-	67,536	69,114
444,314	3,835,448	218,874	12,763	4,218,814	203,875	20,225,391
-	-	-	-	169,426	-	360,164
448,768	3,650,799	211,088	17,827	3,985,134	228,561	19,107,634
-	-	-	-	-	-	354,101
448,768	3,650,799	211,088	17,827	4,154,560	228,561	19,821,899
424,837	3,633,945	211,358	44,998	400,295	98,364	15,241,918

Schedule 5

Jones County

Schedule of Revenues By Source and Expenditures By Function -
All Governmental Funds

For the Last Five Years

	Modified Accrual Basis				
	2005	2004	2003	2002	2001
Revenues:					
Property and other county tax	\$ 5,136,777	4,944,141	4,836,888	4,534,837	4,388,086
Interest and penalty on property tax	41,809	43,800	41,833	41,304	40,568
Intergovernmental	6,384,409	4,836,462	5,734,114	5,496,228	5,204,746
Licenses and permits	59,517	46,118	40,199	42,091	38,277
Charges for service	505,718	513,303	488,311	425,337	548,030
Use of money and property	226,899	154,548	233,775	224,710	375,217
Fines, forfeitures and defaults	-	-	-	3,556	256
Miscellaneous	276,380	371,759	215,666	55,600	61,266
Total	\$ 12,631,509	10,910,131	11,590,786	10,823,663	10,656,446
Expenditures:					
Operating:					
Public safety and legal services	\$ 1,713,155	1,636,654	1,587,393	1,490,438	1,360,901
Physical health and social services	605,430	767,276	655,087	417,424	485,193
Mental health	2,127,455	2,168,835	2,157,138	2,156,418	2,217,737
County environment and education	554,528	571,865	524,010	583,125	493,586
Roads and transportation	4,355,370	4,427,394	4,202,859	3,519,321	3,895,875
Governmental services to residents	448,029	385,668	339,057	337,641	303,117
Administration	1,202,306	959,960	958,153	974,493	877,548
Non-program	38,133	35,667	224,953	30,238	17,201
Capital projects	1,994,791	385,766	408,995	366,079	244,276
Total	\$ 13,039,197	11,339,085	11,057,645	9,875,177	9,895,434

See accompanying independent auditor's report.

Jones County
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2005

Grantor/Program	CFDA Number	Agency or Pass-through Number	Expenditures
Direct			
U.S. Department of Agriculture Wildlife Habitat Incentives Program	10.914	19-0546-04-0220	\$ 7,542
Total direct			<u>7,542</u>
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
State Administrative Matching Grants for Food Stamp Program	10.561		<u>8,417</u>
U.S. Department of Housing and Urban Development:			
Iowa Department of Economic Development:			
Community Development Block Grants/State's Program	14.228	04-WS-049	<u>7,921</u>
U.S. Department of Transportation:			
Iowa Department of Public Safety:			
Safety Incentive Grants for Use of Seatbelts	20.604	PAP 05-157, Task 71	<u>3,500</u>
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	BROS-C053(43)--8J-53	392,962
Highway Planning and Construction	20.205	STP-ES-C053(45)--81-53	<u>7,903</u>
			<u>400,865</u>
U.S. Department of Health and Human Services:			
Iowa Department of Public Health:			
Linn County Public Health:			
Centers for Disease Control and Prevention Investigations and Technical Assistance	93.283		<u>1,480</u>
Iowa Department of Human Services:			
Human Services Administrative Reimbursement:			
Temporary Assistance for Needy Families	93.558		<u>11,446</u>
Refugee and Entrant Assistance - State Administered Programs	93.566		<u>23</u>
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		<u>2,105</u>
Foster Care - Title IV-E	93.658		<u>5,803</u>
Adoption Assistance	93.659		<u>1,350</u>
Medical Assistance Program	93.778		<u>12,260</u>
Social Services Block Grant	93.667		<u>7,558</u>
Social Services Block Grant	93.667		<u>79,484</u>
			<u>87,042</u>

Schedule 5

Jones County

Schedule of Expenditures of Federal Awards

Year ended June 30, 2005

Grantor/Program	CFDA Number	Agency or Pass-through Number	Expenditures
Department of Homeland Security:			
Iowa Department of Public Defense:			
Iowa Homeland Security and Emergency Management Division:			
Homeland Security Grant Program	97.004	FY 03 SHSGP I	17,585 *
Homeland Security Grant Program	97.004	FY 03 SHSGP II (HLSEM)	5,525
			23,110
Public Assistance Grants	97.036	FEMA DR-1518-IA	10,915
Emergency Management Performance Grants	97.042		10,465
			21,380
United Way of America:			
Emergency Food and Shelter National Board Program	97.024		2,537
Total indirect			589,239
Total			\$ 596,781

* Includes \$17,585 of non-cash awards

Basis of Presentation – The Schedule of Expenditures of Federal Awards includes the federal grant activity of Jones County and is presented on the modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.



**OFFICE OF AUDITOR OF STATE
STATE OF IOWA**

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Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other
Matters Based on an Audit of Financial Statements Performed
in Accordance With Government Auditing Standards

To the Officials of Jones County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Jones County, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated January 9, 2006. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Jones County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

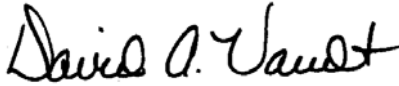
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Jones County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

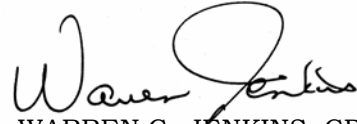
Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2005 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Jones County and other parties to whom Jones County may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Jones County during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

January 9, 2006

**Independent Auditor's Report on Compliance with Requirements Applicable
to Each Major Program and Internal Control over Compliance in
Accordance with OMB Circular A-133**

Jones County



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Independent Auditor's Report on Compliance with Requirements
Applicable to Each Major Program and on Internal Control over Compliance
in Accordance with OMB Circular A-133

To the Officials of Jones County:

Compliance

We have audited the compliance of Jones County, Iowa, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended June 30, 2005. Jones County's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its major federal program is the responsibility of Jones County's management. Our responsibility is to express an opinion on Jones County's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Jones County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Jones County's compliance with those requirements.

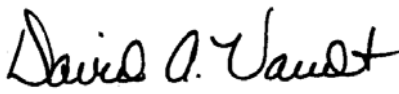
In our opinion, Jones County complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2005.

Internal Control Over Compliance

The management of Jones County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Jones County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Jones County and other parties to whom Jones County may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

January 9, 2006

Jones County

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

Part I: Summary of the Independent Auditor's Results:

- (a) Unqualified opinions were issued on the financial statements.
- (b) No material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over major programs were noted.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major program was CFDA Number 20.205 – Highway Planning and Construction Program.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Jones County did not qualify as a low-risk auditee.

Jones County
Schedule of Findings and Questioned Costs
Year ended June 30, 2005

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

No material weaknesses in internal control were noted.

Jones County
Schedule of Findings and Questioned Costs
Year ended June 30, 2005

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

No material weaknesses in internal control over the major program were noted.

Jones County

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

Part IV: Other Findings Related to Required Statutory Reporting:

- IV-A-05 Official Depositories – A resolution naming official depositories has been adopted by the Board of Supervisors. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2005.
- IV-B-05 Certified Budget – Disbursements during the year ended June 30, 2005 did not exceed the amounts budgeted.
- IV-C-05 Questionable Expenditures – No expenditures that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- IV-D-05 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- IV-E-05 Business Transactions – The following business transactions between the County and County officials or employees were noted:

Name, Title and Business Connection	Transaction Description	Amount
Leo Cook, Supervisor, and Stan Cook, Supervisor’s brother	Fence removal and land acquisition for Stone Bridge road project	\$ 1,117
Hughes Garage, brother of Secondary Roads employee	Repair work	333
Delbert Loop, husband of Dispatcher	Rent	450
John Dirks, part time Emergency Management employee	ATV Rental	500

In accordance with Chapters 331.342(10) and 331.342(3), respectively, of the Code of Iowa, the above transactions do not appear to represent conflicts of interest since the cumulative amount for each individual was less than \$1,500 during the fiscal year.

- IV-F-05 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be periodically reviewed to ensure the coverage is adequate for current operations.
- IV-G-05 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- IV-H-05 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and Chapter 12C of the Code of Iowa and the County’s investment policy were noted.

Jones County

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

IV-I-05 Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).

IV-J-05 Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows the County Community Services Office to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The County Community Services Office retains cancelled checks through electronic image, but does not obtain an image of the back of each cancelled check as required.

Recommendation – The County Community Services Office should obtain and retain an image of both the front and back of each cancelled check as required.

Response – A letter has been sent to all banks of each account. We are waiting for responses from the banks.

Conclusion – Response accepted.

IV-K-05 County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2005 for the County Extension Office did not exceed the amount budgeted.

The Agency Fund had an ending balance of \$743. The Agency Fund should be combined with the operating fund.

Response – We are taking immediate action to ensure that this process is completed during the current fiscal year. With Jones County preparing to serve as one of the pilot counties for the new University Extension accounting system, it is imperative that we have our chart of accounts in order.

Conclusion – Response accepted.

IV-L-05 Credit Cards – The County Extension Office has a credit card. The Extension Council has not adopted a formal policy to regulate the use of credit cards and to establish procedures for the proper accounting of credit card charges. Additionally, on July 13, 2004, late fees and interest of \$38 were paid on the credit card.

Recommendation – The Extension Council should adopt a formal written policy regulating the use of credit cards. The policy, at a minimum, should address who controls credit cards, who is authorized to use credit cards and for what purpose, as well as the types of supporting documentation required to substantiate charges. The County Extension Office should ensure credit card payments are paid timely to avoid late fees and interest charges.

Jones County

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

Response – We were previously unaware of the need for our office to have a formal written credit card policy for the usage of our credit card. In light of this being brought to our attention, we are taking immediate action to initiate such a policy. We are currently pursuing copies of credit card policies that have been adopted by other Extension Offices. In regards to the timely payment of the credit card bills to avoid late fees and interest charges, we have initiated procedures to pay these bills immediately upon arrival as opposed to holding them until the next regularly scheduled Extension Council meeting.

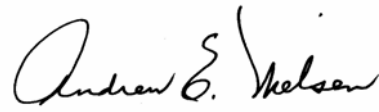
Conclusion – Response accepted.

Jones County

Staff

This audit was performed by:

Kay F. Dunn, CPA, Manager
Darryl J. Brumm, CPA, Senior Auditor II
Billie Jo Heth, Senior Auditor
Heather L. Templeton, Staff Auditor
Melissa J. Knoll, Assistant Auditor
Brandon Yuska, Assistant Auditor
Curtis E. Van Zee, Assistant Auditor


Andrew E. Nielsen, CPA
Deputy Auditor of State